



District Health Care Overview

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National Health Care Concerns

- National Health Care Concerns:
 - Rapidly escalating healthcare costs
 - Pursuing cost containment strategies
 - Federal health care reform unknowns





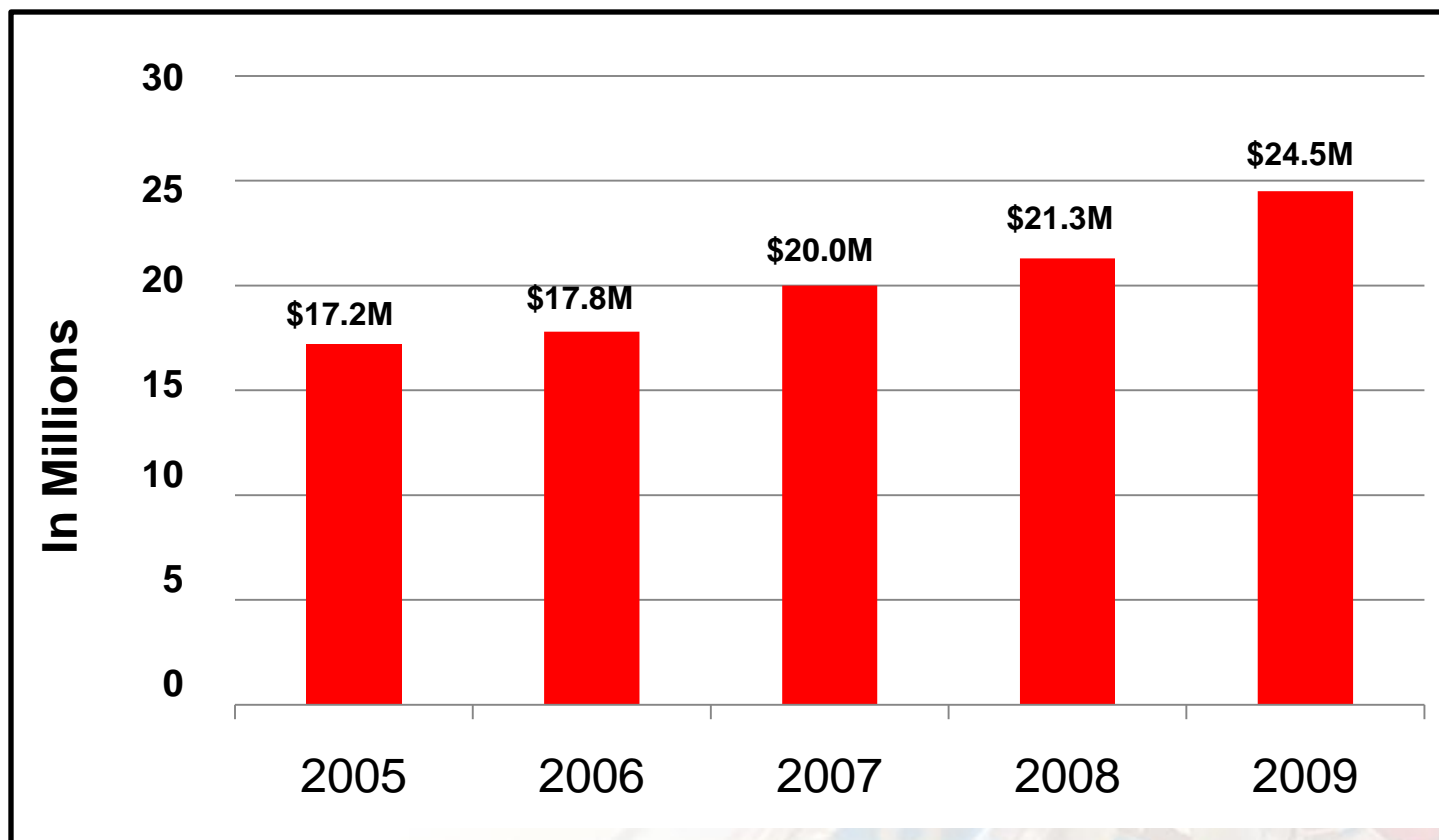
National Health Care Response

- National Health Care Response:
 - Reducing/eliminating benefits
 - Higher co-pays and deductibles
 - Dependent audits
 - Managed health care (HMOs)
 - Self-funded plans



Employer Health Care Concerns

- District not immune from trends
 - Costs rising 4% to 15% annually; 6% to 8% projected in 2010





District Health Care Actions

- Implemented cost containment strategies:
 - Managed care options
 - Annual health screening
 - Wellness/employee assistance programs
 - Generic drug incentives (PPO plan)
 - Ongoing usage/claim experience reviews



District Health Care Actions

- Continued emphasis on cost containment
 - Three (3) staff recommendations
 - Propose self-funded plan
 - Modify prescription drug plan
 - Undertake dependent review / validation



Self-Funded Discussion

- What is “Self-Funding?”
 - Differs from a traditional insured plan
 - Employer “sets-aside” funding to pay claims – rather than paying a fixed monthly premium to an insurance company
 - Employer funds health benefits and assumes all or part of risks of insurance coverage
 - **Can limit financial exposure through stop-loss insurance**



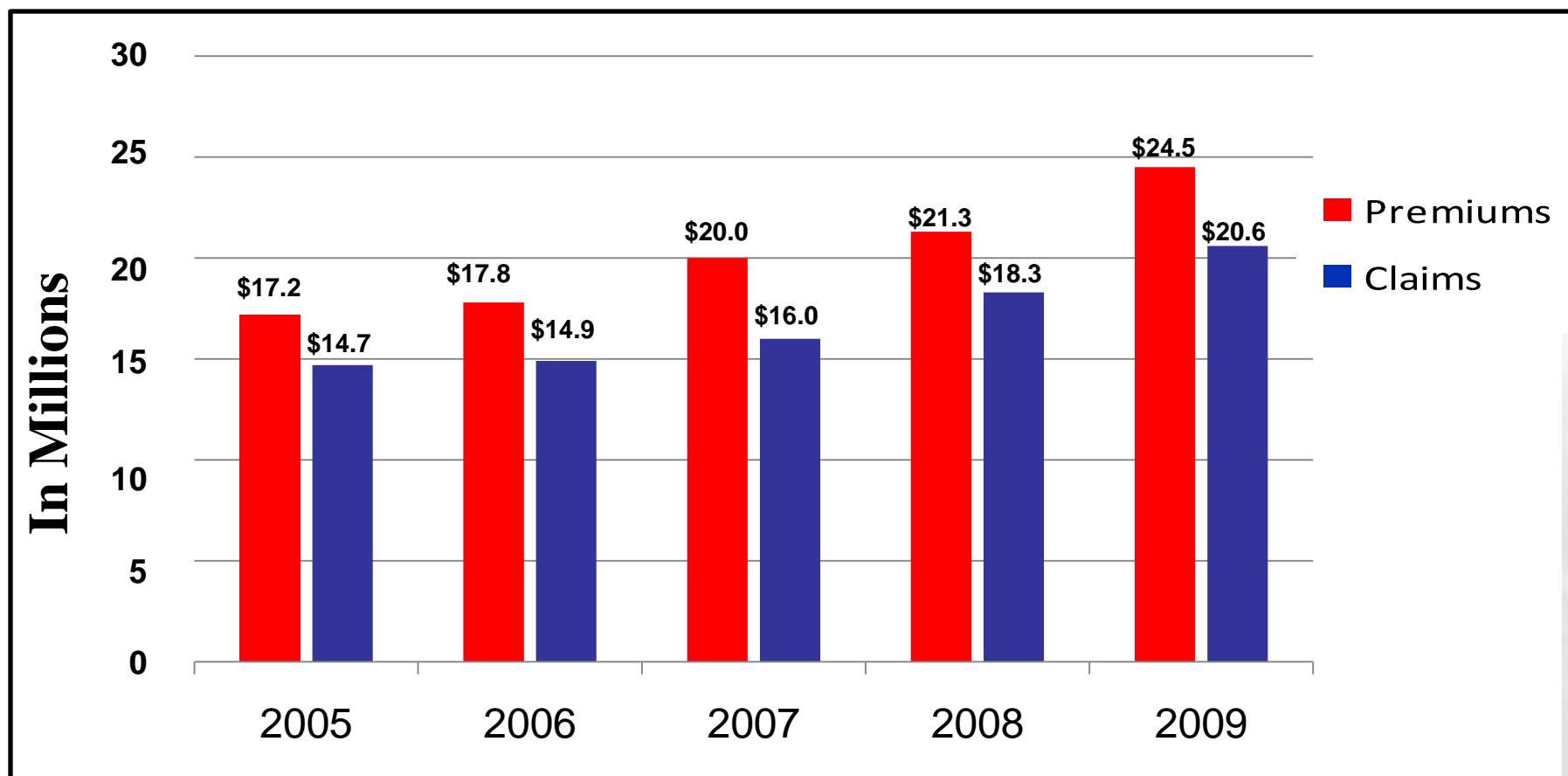
Why Consider Self-Funding?

- Lower insurance costs
 - Retain profit built into insurance company premiums (5% to 15%)
- Employer, rather than insurance company, holds required reserves - retains interest
- Greater control over cost/savings
- Use savings to stabilize future cost increases and modify benefits



Self-Funded Comparison

- Historic premiums vs. claims paid





District Health Care Actions continued

- Continued emphasis on cost containment
 - Dependent review / validation in 2010
 - Promote generics over name brand drugs
- All other coverage / benefits remain the same



Background to staff recommendation

- Current fully insured plan with CIGNA expires on December 31, 2009.
- Per independent actuarial study:
 - District claims stable over past 5 years
 - Based on size, demographics, utilization patterns – future experience is predictable
 - Good candidate for self-funded plan
 - Lower cost than current insurance plan

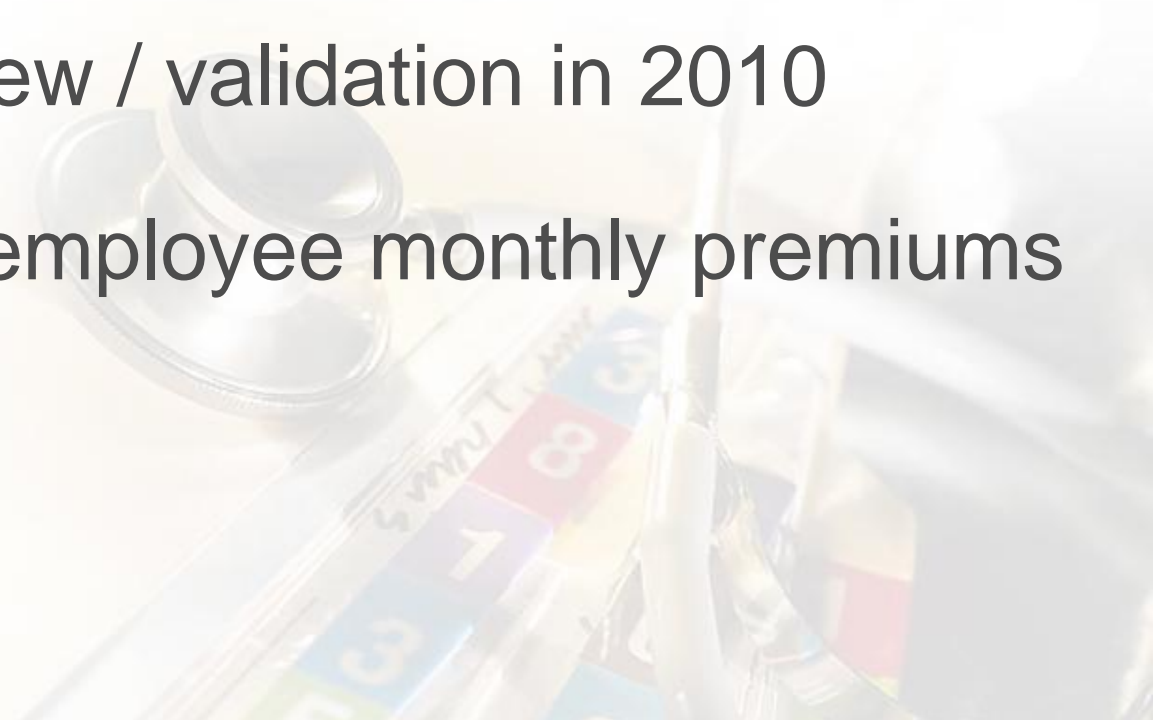


Staff Recommendation

- Recommend Self-Funded Plan
- Purchase individual and aggregate stop-loss policies to limit financial liability / exposure (\$300K and \$25.0M)
- Execute an administrative services only (ASO) contract with CIGNA for claims processing and administration

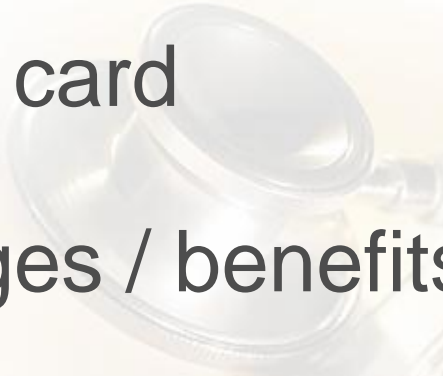


Staff Recommendation... Continued

- Promote the use of generics over name brand drugs
 - Dependent review / validation in 2010
 - No increase in employee monthly premiums
- 



Staff Recommendation... Continued

- Same network of doctors/providers (easily accessed and updated through the District's Web Portal)
 - Same insurance card
 - All other coverages / benefits remain the same
- 



Committee Action

- Recommend approval of:

Resolution entering into a 3 year administrative service only (ASO) contract with 2 one-year renewals with CIGNA Healthcare of Florida, Inc., in an amount not to exceed \$75.00 per enrollee subject to negotiation annually with a total five year contract amount not to exceed \$10.0 million and subject to GB approval of the FY10 thru FY14 budgets.